

2. THE COMMISSION APPROVES THE "AGREEMENT SUPPLEMENTING DRILLING AND OPERATING CONTRACT DATED MARCH 12, 1947" (AMENDED MAY 20, 1953) BETWEEN THE CITY OF LONG BEACH, BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AND THE RICHFIELD OIL CORPORATION RELATING TO THE DRILLING OF OIL WELLS AND THE PRODUCING OF OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM TIDE AND SUBMERGED LANDS TO PROVIDE FOR THE CONDUCT OF REPRESSURING OPERATIONS AUTHORIZED BY THE WATER-FLOOD PROGRAM UNDER THE COOPERATIVE AGREEMENT FOR FAULT BLOCK VI (DATED JANUARY 16, 1959) CONSIDERED IN CALENDAR ITEM 2 ATTACHED.

There being no further business, the meeting was adjourned at 10:45 a.m.

Attachments

Calendar Item 1 (7 pages)  
Calendar Item 2 (5 pages)

CALENDAR ITEM

1.

(CO-OPERATIVE AGREEMENT, WATERFLOOD PROGRAM, RANGER ZONE, FAULT BLOCK VI, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,078.)

On December 11, 1958 (Minute Item 19, page 4395), the Commission approved conditionally a co-operative agreement entered into between the City of Long Beach, the Board of Harbor Commissioners of the City of Long Beach, Richfield Oil Corporation, and Producing Properties, Inc., providing for a co-operative water-injection program in the Ranger Zone in Fault Block VI of the Wilmington Oil Field.

The City of Long Beach has now submitted for approval a new form of co-operative agreement, dated January 16, 1959. In addition to prior provisions, the new form proposes to indemnify and hold harmless the Richfield Oil Corporation from damages attributable to, or occasioned by, subsurface trespass resulting from repressuring operations ordered or directed by the City and conducted by Richfield under the agreement in the Tar and Ranger Zones of Fault Block VI of the Wilmington Oil Field west of Pine Avenue, or a projection thereof.

Waterflooding on the adjacent Producing Properties, Inc., lease has demonstrated that pressures will be increased and additional oil recovered by waterflooding in the Ranger Zone of Fault Block VI. A review of the proposed program by the staff has determined that the proposed waterflood program is a practical repressurization plan and is economically feasible. The agreement provides for a row of injection wells to be drilled between tideland operations conducted by the Richfield Oil Corporation and the upland lease held by Producing Properties, Inc., and for injection wells to be drilled along the easterly and southerly lease boundaries separating undeveloped areas from the lease, with water to be injected by each operator on his respective property. The agreement contains hold-harmless clauses by and between all parties.

A waterflood program submitted to the State Oil and Gas Supervisor in compliance with Sections 3319.1 and 3320.1 of the Public Resources Code, by Producing Properties, Inc., providing for an injection program into the Ranger Zone of Fault Block VI included in the lease held by Producing Properties, Inc., has been approved by the Supervisor. The City submitted to the Oil and Gas Supervisor, on October 24, 1958, a specific waterflood program for the Ranger, Upper Terminal, Lower Terminal, Union Pacific, and Ford Zones of Fault Block VI, Wilmington Field, and, on December 31, 1958, a revised form affecting only the Ranger Zone underlying city properties, in accordance with Sections 3319.1 and 3320.1 of the Public Resources Code which provide for submittal to the Oil and Gas Supervisor of an engineering program for pressure restoration, pressure maintenance, and subsidence amelioration. The program submitted is under review by the Supervisor.

Section 6879 of the Public Resources Code requires approval by the Commission of a co-operative agreement whenever tide and submerged lands have been granted to a city without reservation to the State of the right to produce oil and gas therefrom. Upon determination by the Commission that such agreement provides that any impairment of the public trust for commerce, navigation,

CALENDAR ITEM 1. (CONTD.)

or fisheries to which said granted lands are subject is prohibited and that performance of such agreement is in the public interest, the Commission may approve such agreement. The proposed agreement includes this requirement.

Section 6879 of the Public Resources Code also requires the city council to determine that such agreement is in the interest of increasing the ultimate recovery of oil or gas from such lands, or of protecting the oil or gas in said lands from any unreasonable waste, or that the subsidence or sinking of such lands and abutting lands possibly may be arrested or ameliorated thereby. This determination has been made by the City Council of Long Beach by resolution.

The office of the Attorney General has approved the form of the proposed amended co-operative agreement. A copy of the informal opinion report of the Attorney General is attached.

IT IS RECOMMENDED THAT THE COMMISSION:

- (1) RESCIND THE CONDITIONAL APPROVAL OF DECEMBER 11, 1958, MINUTE ITEM 19, PAGE 4395, OF THE CO-OPERATIVE AGREEMENT PROVIDING FOR A WATERFLOOD OF THE RANGER ZONE, FAULT BLOCK VI, WILMINGTON OIL FIELD, BETWEEN THE CITY OF LONG BEACH, THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, RICHFIELD OIL CORPORATION, AND PRODUCING PROPERTIES, INC.;
- (2) FIND THAT THE ENTERING INTO AND THE PERFORMANCE OF THE AGREEMENT UNDER THE WATERFLOODING PROGRAM KNOWN AS "CO-OPERATIVE AGREEMENT, FAULT BLOCK VI (RANGER ZONE), WILMINGTON FIELD", DATED JANUARY 16, 1959, BETWEEN THE CITY OF LONG BEACH, THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, RICHFIELD OIL CORPORATION, AND PRODUCING PROPERTIES, INC., IS IN THE PUBLIC INTEREST;
- (3) FIND THAT THE CO-OPERATIVE AGREEMENT PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION, OR FISHERIES TO WHICH THE GRANTED LANDS ARE SUBJECT IS PROHIBITED;
- (4) APPROVE THE CO-OPERATIVE AGREEMENT, PURSUANT TO SECTION 6879 OF THE PUBLIC RESOURCES CODE.

Attachment

Informal Opinion, dated February 5, 1959

STATE OF CALIFORNIA

LOS ANGELES 12

Inter-Departmental Communication

To: State Lands Commission  
302 State Building  
Los Angeles 12, California

Attention: Francis J. Hortig,  
Executive Officer

From: Department of Justice

Date: February 5, 1959

File No. Your Nos. W.O.  
396.113 and L.B.W.O. 10078

Subject: Cooperative Agree-  
ment - Fault Block VI  
(Ranger Zone)  
Wilmington Oil Field

This office has received a copy of a "Cooperative Agreement (Fault Block VI)" entered into under date of January 16, 1959 by and between the City of Long Beach, the Board of Harbor Commissioners of the City of Long Beach, the Richfield Oil Corporation, and Producing Properties, Inc. This Cooperative Agreement relates to legislative granted tide and submerged lands presently under development for the City of Long Beach by the Richfield Oil Corporation pursuant to its Parcel "A" Drilling and Operating Contract dated March 12, 1947 as amended. This Cooperative Agreement has been authorized and approved by resolutions of the Long Beach Board of Harbor Commissioners and the Long Beach City Council respectively. The City of Long Beach has requested that the State Lands Commission approve the Cooperative Agreement of January 16, 1959 as required by Public Resources Code Section 6879.

Previously, the State Lands Commission at its regular meeting on December 11, 1958 gave its advance conditional approval to the execution of an earlier proposed Cooperative Agreement relating to Fault Block VI (Ranger Zone) between the same parties. Specifically, the State Lands Commission, on December 11, 1958, adopted the following resolution:

"The Commission finds that the entering into and the performance of the agreement under the water-flooding program known as 'Cooperative Agreement, Fault Block VI (Ranger Zone), Wilmington Field' between the City of Long Beach, the Board of Harbor Commissioners of the City of Long Beach, Richfield Oil Corporation, and Producing Properties, Inc., is in the public interest; and that as required by Section 6879 of the Public Resources Code, such Cooperative Agreement provides that any impairment of the public trust for commerce, navigation, or fisheries to which the granted lands are subject is prohibited, and that said agreement provides for its submission to the State Lands Commission for approval.



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The Commission approval is subject to: (1) the receipt of a resolution of the Long Beach City Council determining that the subject agreement is in the interest of increasing the ultimate recovery of oil or gas from such lands, or of the protection of oil or gas in said lands from unreasonable waste, or that the subsidence or sinking of such lands and abutting lands may possibly be arrested or ameliorated thereby; (2) approval of the form of the cooperative agreement by the office of the Attorney General, as to compliance with the Public Resources Code."

In an informal opinion dated December 23, 1958, the Attorney General's office advised that the State Lands Commission properly had granted its conditional advance approval to the Cooperative Agreement then under consideration. The current Cooperative Agreement of January 16, 1959, except for one addition dealing with possible indemnification of the Richfield Oil Corporation by the City of Long Beach, is identical with the Cooperative Agreement which was heretofore conditionally approved by the State Lands Commission.

This office has been advised that the specific Cooperative Agreement which was the subject of the Commission's December 11, 1958 resolution never was executed by the parties. Instead, the January 16, 1959 Cooperative Agreement was formally executed and has been submitted for Commission approval. In order to clarify the record, it is respectfully suggested that the State Lands Commission rescind its December 11, 1958 resolution approving a Cooperative Agreement which never has been signed.

Section 6879 of the Public Resources Code reads in part as follows:

"Whenever tide and submerged lands of the State have been granted to a city, county or city and county by a grant which does not reserve to the State the right to produce oil and gas therefrom, and such grantee shall determine that it is in the interest of increasing the ultimate recovery of oil or gas from such lands, or of the protection of oil or gas in said lands from unreasonable waste, or that the subsidence or sinking of such lands and abutting lands may possibly be arrested or ameliorated thereby, such grantee may enter into agreements for the purpose of bringing about the cooperative development and operation of all or a part or parts of the oil and gas field in which such lands are located, or for the purpose of bringing about the development or operation of all or a part or parts of such field as a unit, or for the purpose of fixing the time, location, and manner of drilling and operating of wells for the production of oil or gas, or providing for the return or injection of gas, water or other substances into the subsurface of the earth for the purpose of storage or the repressuring of such oil or gas field.

"Each such agreement shall provide that any impairment of the public trust for commerce, navigation or fisheries to which said granted lands are subject is prohibited, and shall be submitted to the State Lands Commission for approval. If the State

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Lands Commission shall find that said agreement so provides and that the entering into and the performance of such agreement is in the public interest, then the State Lands Commission may approve such agreement on behalf of the State."

Thereafter, said Code section provides that if approved by the State Lands Commission any such agreement shall bind the State.

The comments made by this office in our informal opinion of December 23, 1958 in connection with our evaluation of the first Fault Block VI Cooperative Agreement are equally applicable to the January 16, 1959 Cooperative Agreement now being considered. For the convenience of the Commission, a portion of these remarks will be reiterated herein.

The Cooperative Agreement now being reviewed contemplates a row of water injection wells in the Ranger Zone in Fault Block VI of the Wilmington Oil Field to be drilled on either side of the boundary between the tideland lease held by the Richfield Oil Corporation and the upland lease held by Producing Properties, Inc., with water to be injected by each operator on its respective property.

It has been represented that this program of water injection into the Ranger Zone in Fault Block VI underlying both the City Properties and the Producing Properties, Inc. lands will result in the increasing of reservoir pressures in said Zone, and may reasonably be expected to substantially increase the otherwise maximum ultimate amount of oil which would have been economically recoverable from such Zone by primary recovery operation.

The instant Cooperative Agreement also is intended to ameliorate surface subsidence which may be attributable to pressure reduction in the Ranger Zone underlying the City and Producing Properties, Inc. holdings in Fault Block VI. Specifically, the Cooperative Agreement in paragraph 2 on page 4 thereof, reads in part as follows:

"2. The CITY shall prepare and file with the Supervisor for adoption, pursuant to the provisions of Section 3319.1 of the Public Resources Code, a plan for pressure restoration of the various zones underlying the City Properties, including the Ranger Zone, which said plan, insofar as it affects the Ranger Zone, shall be designed to obtain subsidence control pressure in the Ranger Zone underlying the City Properties. It is intended that the PPI Plan, with the modifications set forth herein, and the plan submitted for approval covering the City Properties shall be compatible. As used herein, 'subsidence control pressure', insofar as it relates to the Ranger Zone, shall be construed to have uniform and equal application in the conduct of the respective operations under this Cooperative Agreement to both the PPI Properties and the City Properties, . . . ."

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Thus, the California Oil and Gas Supervisor will be required to review and approve the engineering program for pressure restoration, pressure maintenance and subsidence amelioration in that portion of the Ranger Zone of Fault Block VI included in the Cooperative Agreement.

We have been informed that a cooperative agreement between E. C. Simmons and Producing Properties, Inc., providing for pressure restoration in all of the developed remainder of the Ranger Zone in Fault Block VI already has been approved by the Oil and Gas Supervisor. The instant Cooperative Agreement, and its approval by the State Lands Commission and the California Oil and Gas Supervisor, will therefore enable pressure restoration by water injection in the entire developed portion of the Ranger Zone in Fault Block VI.

The staff of the State Lands Commission informs us that it has made a technical evaluation of the proposed cooperative water-flooding injection plans involved in the January 16, 1959 Cooperative Agreement, that said staff is satisfied as to the engineering feasibility and merit thereof and has concluded that the performance of this Cooperative Agreement is in the public interest. If the State Lands Commission adopts its staff recommendation, the Commission, in conformity with the provisions of Public Resources Code Section 6879, must find that the performance of such agreement is in the public interest. Further, it is to be noted that the January 16, 1959 Cooperative Agreement, on page 11 thereof, expressly provides that any impairment of the public trust for commerce, navigation or fisheries, to which said granted lands are subject, is prohibited and that such Agreement shall be subject to prior approval by the State Lands Commission, and pursuant to Public Resources Code Section 6879, the Commission should find that the agreement so provides.

Pursuant to Public Resources Code Section 6879, the City cannot enter into the Cooperative Agreement herein considered unless the City "... shall determine that it is in the interest of increasing the ultimate recovery of oil or gas from such lands, or of the protection of oil or gas in said lands from unreasonable waste, or that the subsidence or sinking of such lands and abutting lands may possibly be arrested or ameliorated thereby ...". The City has submitted Resolution No. CL7117 of the Long Beach City Council and Resolution No. HD639 of the Board of Harbor Commissioners of the City of Long Beach, which resolutions contain the aforementioned requisite determination.

The January 16, 1959 Cooperative Agreement, on page 9 thereof, contains the following provision for indemnification of Richfield by the City, not contained in the earlier draft submitted to and acted upon by the Commission:

"CITY agrees to indemnify and hold harmless RICHFIELD from and against any and all loss, damages, claims, demands or causes of action of every nature attributable to or occasioned by subsurface trespass resulting from repressuring operations ordered or directed by the CITY and conducted by RICHFIELD under this Agreement in the Tar and Ranger Zones of Fault Block VI of the

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Wilmington Oil Field West of Pine Avenue or a projection thereof seaward, which indemnity shall be paid by the CITY without limitation and without reference to oil production or sales as provided for other payments to RICHFIELD under the Drilling and Operating Contract entered into between the CITY, its BOARD OF HARBOR COMMISSIONERS, and RICHFIELD on the Twelfth day of March, 1947, as amended."

There is no legal objection to the inclusion in the current Cooperative Agreement of such an indemnification provision.

Our examination of the January 16, 1959 Cooperative Agreement - Fault Block VI (Ranger Zone) satisfies us that it contains the provisions required by Public Resources Code Section 6879, that it conforms with the applicable provisions of law, and that it properly may be approved by the State Lands Commission.

In the event that the Commission determines to grant such approval, it is respectfully suggested that the Commission adopt a resolution containing the determinations required by Public Resources Code Section 6879 substantially as follows:

"The State Lands Commission finds that the entering into and the performance of the agreement under the water-flooding program known as Cooperative Agreement, Fault Block VI (Ranger Zone), Wilmington Field between the City of Long Beach, the Board of Harbor Commissioners of the City of Long Beach, Richfield Oil Corporation, and Producing Properties, Inc., dated January 16, 1959, is in the public interest; and that as required by Section 6879 of the Public Resources Code such Cooperative Agreement provides that any impairment of the public trust for commerce, navigation or fisheries to which the granted lands are subject is prohibited, and that said agreement provides for its submission to the State Lands Commission for approval. The Commission hereby does approve said Cooperative Agreement pursuant to the provisions of Public Resources Code Section 6879."

If this office can be of further service, please do not hesitate to call upon us.

/s/ Howard S. Goldin

HOWARD S. GOLDIN,  
Deputy Attorney General

HSG:omg



CALENDAR ITEM

2.

(AGREEMENT SUPPLEMENTING DRILLING AND OPERATING CONTRACTS, RICHFIELD OIL CORPORATION, WILMINGTON FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,081.)

The City of Long Beach has submitted for the approval of the State Lands Commission in accordance with the provisions of Section 10, Chapter 29, Statutes of 1956, 1st E.S., a copy of a form of agreement supplementing drilling and operating contract dated March 12, 1947 (amended May 20, 1953) between the City of Long Beach, Board of Harbor Commissioners of the City of Long Beach, and the Richfield Oil Corporation.

It is desirable to further amend the drilling and operating contract to permit the contractor to use certain designated areas for facilities to be operated in conjunction with the waterflood program provided for in the Cooperative Agreement for Fault Block VI. The drilling and operating contract provides that all areas to be utilized by the contractor as sites for surface facilities shall be designated by the Board of Harbor Commissioners and shall be within the Harbor District. It has been determined that more efficient and effective repressuring operations could be conducted from sites outside the Harbor District on lands under the jurisdiction of the City Council. Areas proposed to be occupied have been designated by the Council.

In addition, the proposed amendment provides for full and direct indemnification of the Richfield Oil Corporation for resultant loss or damage attributable to subsurface trespass resulting from repressuring operations ordered or directed by the City and conducted by Richfield under the agreement in the Tar and Ranger Zones of Fault Block VI of the Wilmington Field west of Pico Avenue or the prolongation thereof. The form of amendment has been approved by the office of the Attorney General as reported in the copy of informal opinion attached.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE "AGREEMENT SUPPLEMENTING DRILLING AND OPERATING CONTRACT DATED MARCH 12, 1947" (AMENDED MAY 20, 1953) BETWEEN THE CITY OF LONG BEACH, BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AND THE RICHFIELD OIL CORPORATION RELATING TO THE DRILLING OF OIL WELLS AND THE PRODUCING OF OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM TIDE AND SUBMERGED LANDS TO PROVIDE FOR THE CONDUCT OF REPRESSURING OPERATIONS AUTHORIZED BY THE WATERFLOOD PROGRAM UNDER THE COOPERATIVE AGREEMENT FOR FAULT BLOCK VI (DATED JANUARY 16, 1959) CONSIDERED IN THE PRECEDING CALENDAR ITEM.

Attachment

Informal Opinion, dated February 6, 1959

STATE OF CALIFORNIA

Los Angeles 12

Inter-Departmental Communication

To: State Lands Commission  
302 State Building  
Los Angeles 12, California

Attention: Francis J. Hortig,  
Executive Officer

From: Department of Justice

Date: February 6, 1959

File No. Your Nos. W.O. 396.114  
and L.B.W.O. 10081

Subject: Informal Opinion re  
Proposed Amendment to  
Richfield Parcel "A"  
Drilling and Operat-  
ing Contract

Under date of January 26, 1959 you forwarded to this office a copy of a proposed "Agreement Supplementing Drilling and Operating Contract dated March 12, 1947 (Parcel "A") between the City of Long Beach and Richfield Oil Corporation relating to operations in a portion of the Wilmington Oil Field. You advised us that such Agreement has been submitted by the Long Beach City Attorney to the State Lands Commission for approval pursuant to the provisions of Chapter 29, Section 10, Stats. 1956 First Extraordinary Session. Thereafter, you inquired as follows:

"The informal opinion of the Office of the Attorney General is requested as to whether the proposed agreement would be in compliance with applicable statutes, in order that the State Lands Commission may consider advance approval of the agreement."

In so far as it is relevant herein, Chapter 29, Section 10(b), Stats. 1956, First Extraordinary Session, reads as follows:

"No present or future contract, royalty, arrangement, or other agreement between the City of Long Beach (or any department, board, or agency thereof) and any other person, firm, corporation or association, relating to the drilling for, developing, extracting, processing, taking or removing, or disposition of oil, gas, or other hydrocarbons derived from the Long Beach tidelands (with the exception of dry gas after it has been received into the municipal gas department of said City of Long Beach) shall be modified or amended in any respect without the advance consent of the State Lands Commission to such modification or amendment. . . ."

Specifically, the Agreement herein reviewed supplements, modifies or amends the Long Beach - Richfield Oil Corporation Parcel "A" Drilling and Operating Contract in two particulars. Generally speaking, one change relates to the use of land surface for repressuring operations, and the other provides for the indemnification of Richfield Oil Corporation against possible loss occasioned by subsurface trespass resulting from repressuring operations

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in the Tar and Ranger zones of Fault Block VI of the Wilmington Oil Field.

The original Drilling and Operating Contract (Parcel "A"), as heretofore amended, refers to "Drill Site Lands" and "Subject Lands", each of which is specifically described therein. At the present time, the Drilling and Operating Contract only permits and provides for the installation and operation of gas and/or water injection plant or plants and facilities upon the Drill Site Lands. Under the contract, as presently constituted, it is not possible to use the "Subject Lands" for the purpose of installing and operating a water injection plant or plants nor can such "Subject Lands" be used for drilling, operating and maintaining thereon water source wells or water injection wells.

The instant proposed "Repressuring-Use of Subject Land Surface" amendment is designed to permit the City's contractor, with prior approval and authorization of the Long Beach City Council, to use and occupy any area or areas upon the "Subject Lands" for the installation and operation of a water-injection plant, for the drilling, operation and maintenance of water source wells and water injection wells and for the installation and maintenance of such other related and accessory facilities as are usually considered incident to the conduct of water repressuring operations. This proposed amendment does not change the existent prohibition in the contract against the use of the surface of the "Subject Lands" for the drilling of oil or gas production wells.

We have been advised by the staff of the State Lands Commission that the requested amendment whereby the contractor would be permitted to occupy and use the surface of the "Subject Lands" for a water injection plant, and for the drilling of water source wells and water injection wells, and for other necessary related and accessory facilities, is consistent with good engineering practice. Stated otherwise, we are informed by the Commission's staff that water repressuring operations could be more efficiently and effectively conducted if the City's contractor was empowered to use the surface of the "Subject Lands" in the manner requested.

Whether the State Lands Commission should approve the requested amendment relating to the use of the subject land surface for repressuring operations is, of course, a policy matter for the Commission to determine based upon its expert technical evaluation of the merits of the requested change. There is no legal impediment to the approval of this requested contract modification.

The second submitted amendment provides for the indemnification of the City's contractor, Richfield Oil Corporation, against possible loss occasioned by subsurface trespass resulting from repressuring operations in the Tar and Ranger Zones of Fault Block VI of the Wilmington Oil Field pursuant to the January 16, 1959 Cooperative Agreement, which has been submitted to the State Lands Commission for approval.

At the present time, paragraph 25.5(e) added to the original Drilling and operating Contract by an amendment dated May 20, 1953, reads as follows:



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"(e) 94.1% of any sums that CONTRACTOR may expend or become obligated to expend pursuant to any final judgment of a court of competent jurisdiction or in compliance with any order or authorization by the BOARD to settle such claim as a result of damage caused by the injection of gas and/or water in accordance with the provisions of this paragraph, shall be considered and treated as reasonable and necessary costs actually incurred or expended by CONTRACTOR in the performance of its obligations hereunder."

Thus, there currently is in effect provision for a 94.1% reimbursement to Richfield Oil Corporation for loss attributable to the injection of gas, or water, or both, pursuant to the terms of said 1953 contract amendment. Stated otherwise, 94.1% of any successful damage claim which might be occasioned by Richfield's water injection operations under the present Drilling and Operating Contract already is classified as a proper reimbursable cost incurred in the performance of Richfield's contractual obligations. The current proposed amendment raises the indemnification of Richfield to 100% but is limited to loss occasioned by subsurface trespass resulting from repressuring operations in the Tar and Ranger Zones of Fault Block VI in the Wilmington Oil Field conducted pursuant to the aforementioned Cooperative Agreement. Thus, the instant proposed amendment in effect provides for an increased indemnification of 5.9%, and then only with respect to those water-repressuring activities under the January 16, 1959 Cooperative Agreement. As to this 5.9% increased indemnification limited to water repressurization operations under the Cooperative Agreement, the most the State could be called upon to assume would be half of such 5.9% damage or 2.95%. Actually, we are informed that the practical chances of damage attributable to repressuring operations under the Cooperative Agreement are virtually non-existent, that the only properties which might be injured by subsurface trespass are the Producing Properties, Inc. holdings and as to these, Producing Properties, Inc., in paragraph 10 of the Cooperative Agreement, has released and discharged both the City and Richfield from any and all claims arising from damage caused by injection of water into any zone through wells bottomed on City properties.

The Drilling and Operating Agreement, if amended to include 100% indemnification in the limited respect heretofore discussed, will require the City to hold Richfield harmless and to reimburse it for all damages arising from such contractor's performance under the Cooperative Agreement of January 16, 1959. To the extent that the increased indemnification might result in liability to be borne by the State's share of tidelands oil revenues, such an undertaking by the State might be called into question as a gift or loan of the credit of the State, within the prohibitions contained in Article IV, Section 31, of the California Constitution. However, where a transfer of State property or credit serves a statewide public purpose, no violation of Article IV, Section 31, occurs (City of Los Angeles v. Post War etc. Board, 26 Cal. 2d 101, 114, 115, and cases cited). Water repressuring for subsidence amelioration serves a statewide public purpose (Public Resources Code Section 3315).



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Pursuant to Section 6879 of the Public Resources Code, the City of Long Beach had statutory authorization to enter into the January 16, 1959 Cooperative Agreement (Fault Block VI, Ranger Zone). Provision for indemnification to the City's Contractor is a reasonable, indeed a usual, provision in such a Cooperative Agreement. The instant amendment is designed to conform the indemnification provisions of the Drilling and Operating Contract with those of the aforementioned Cooperative Agreement. We find no legal objection to the State Lands Commission's approval of such requested amendment.

/s/ Howard S. Goldin  
HOWARD S. GOLDIN  
Deputy Attorney General

HSG:omg